

InvoCare Limited

Interim report

For the half-year ended 30 June 2008

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InvoCare Limited

Directors' report

Your directors present their report on the consolidated entity consisting of InvoCare Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2008.

Directors

The persons who were directors of InvoCare Limited during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Ian Ferrier
Richard Davis
Christine Clifton
Roger Penman
Benjamin Chow
Richard Fisher

Review of operations

The Group's net profit after tax attributable to members for the half-year ended 30 June 2008 was \$12,289,000 (2007: \$11,492,000).

Revenue from continuing operations increased to \$115,045,000 (2007: \$107,391,000) due to a solid contribution from funeral operations. The number of deaths remained above long term growth trends and business acquisitions made a strong contribution. However, the continued volatility in capital markets reduced the surplus from redemption of prepaid services trust funds.

Dividend

The directors declared a fully franked interim dividend of 10.5 cents per share (2007: 10.0 cents per share fully franked) which will be paid on 10 October 2008.

The dividend reinvestment plan ("DRP") will apply, with shares issued at no discount from the weighted average market price of the Company's shares traded during the first five trading days after (but not including) the record date of 19 September 2008. Any DRP take up shortfall will not be underwritten.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Signed in accordance with a resolution of the directors.



Ian Ferrier
Director



Richard Davis
Director

Sydney
21 August 2008

Auditor's Independence Declaration

As lead auditor for the review of InvoCare Limited for the half year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of InvoCare Limited and the entities it controlled during the period.



John Feely
Partner
PricewaterhouseCoopers

Sydney
21 August 2008

InvoCare Limited
Consolidated income statement
For the half-year ended 30 June 2008

	Notes	Half-year	
		2008 \$'000	2007 \$'000
Revenue from continuing operations	2	115,045	107,391
Other income	2	7	198
Finished goods, consumables and funeral disbursements		(33,167)	(30,436)
Employee benefits expense		(29,094)	(25,467)
Employee related and on-cost expenses		(6,144)	(6,848)
Advertising and public relations expenses		(3,765)	(2,998)
Depreciation, amortisation and impairment expense		(4,558)	(4,282)
Occupancy and facilities expenses		(7,088)	(6,468)
Finance costs		(5,495)	(6,100)
Motor vehicle expenses		(2,600)	(2,427)
Other expenses		(5,710)	(5,711)
Profit before income tax		17,431	16,852
Income tax expense		(5,105)	(5,327)
Profit from continuing activities		12,326	11,525
Net profit for the half-year		12,326	11,525
Profit is attributable to:			
Equity holders of InvoCare Limited		12,289	11,492
Minority interests		37	33
		12,326	11,525
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents per share)	5	12.3	11.6
Diluted earnings per share (cents per share)	5	12.3	11.6

The above consolidated income statement should be read in conjunction with the accompanying notes.

InvoCare Limited

Consolidated balance sheet

As at 30 June 2008

	Notes	30 June 2008 \$'000	31 December 2007 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		5,127	8,981
Trade and other receivables		21,079	18,567
Inventories		13,626	13,170
Deferred selling costs		555	543
Total current assets		40,387	41,261
Non-current assets			
Trade and other receivables		9,055	9,072
Property, plant and equipment		213,773	212,715
Intangible assets		56,168	56,457
Derivative financial instruments		6,501	5,257
Deferred selling costs		7,768	7,607
Total non-current assets		293,265	291,108
Total Assets		333,652	332,369
LIABILITIES			
Current liabilities			
Trade and other payables		19,884	25,557
Current tax liabilities		3,305	4,661
Deferred revenue		2,994	2,956
Provision for employee benefits		8,544	8,079
Total current liabilities		34,727	41,253
Non-current liabilities			
Trade and other payables		259	251
Long-term borrowings		161,602	154,547
Deferred tax liabilities		33,627	33,390
Deferred revenue		41,915	41,382
Provisions for employee benefits		1,164	1,067
Total non-current liabilities		238,567	230,637
Total liabilities		273,294	271,890
Net assets		60,358	60,479
EQUITY			
Contributed equity	4	70,131	70,125
Reserves		3,629	3,504
Retained profits/(Accumulated losses)	6	(14,422)	(14,175)
Parent entity interest		59,338	59,454
Minority interest		1,020	1,025
Total equity		60,358	60,479

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

InvoCare Limited

Consolidated statement of recognised income and expense

For the half-year ended 30 June 2008

	Half-year	
	2008 \$'000	2007 \$'000
Cash flow hedges, net of tax	335	1,100
Exchange differences on translation of foreign operations	(238)	(486)
Net income recognised directly in equity	97	614
Profit after tax	12,326	11,525
Total recognised income and expense for the half-year	12,423	12,139
Total recognised income and expense for the half-year is attributable to:		
Members of InvoCare Limited	12,386	12,106
Minority interest	37	33
	12,423	12,139

The above consolidated statement of recognised income and expense should be read in conjunction with the accompanying notes.

InvoCare Limited
Consolidated cash flow statement
For the half-year ended 30 June 2008

	Half-year	
	2008 \$'000	2007 \$'000
Cash flows from operating activities		
Receipts from customers	122,789	113,359
Payments to suppliers	(100,560)	(88,011)
Other revenue	1,612	1,302
	23,841	26,650
Interest received	112	129
Finance costs	(5,541)	(5,479)
Income tax paid	(6,710)	(7,453)
Net cash inflow (outflow) from operating activities	11,702	13,847
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	383	272
Payments for property, plant and equipment	(6,195)	(8,707)
Payments for purchase of subsidiaries and other businesses, net of cash acquired	(4,093)	(5,586)
Net cash (outflow) inflow from investing activities	(9,905)	(14,021)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	210
Payment for shares acquired by InvoCare Deferred Employee Share Plan Trust	(35)	-
Proceeds from borrowings	10,000	12,362
Repayment of borrowings	(3,000)	(4,000)
Dividends paid to company's shareholders	(12,536)	(8,172)
Dividends paid to minority interests in subsidiaries	(41)	-
Net cash inflow (outflow) from financing activities	(5,612)	400
Net increase (decrease) in cash and cash equivalents	(3,815)	226
Cash and cash equivalents at the beginning of the half-year	8,981	5,717
Effect of exchange rate changes on cash and cash equivalents	(39)	(93)
Cash and cash equivalents at the end of the half-year	5,127	5,850

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

InvoCare Limited

Notes to the consolidated financial statements

30 June 2008

1 Basis of preparation of the half-year report

This general purpose financial report for the interim half-year reporting period ended 30 June 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2007 and any public announcements made by InvoCare Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporation Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. A number of comparative amounts on the income statement were represented or reclassified to ensure comparability with the current reporting period.

In particular, funeral sales revenue was presented inclusive of disbursements for the first time in the year ended 31 December, 2007. This change of presentation, which has been applied to the comparatives in this report, better reflects the commercial substance of sales to customers. The Group has not changed its accounting policy for the recognition of revenue.

2 Segment information

Primary reporting format – geographical segments

	Australian operations		Singapore operations		Consolidated	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue and other income						
Services revenue	61,801	56,571	1,531	1,802	63,332	58,373
Sale of goods	47,000	44,929	2,339	2,090	49,339	47,019
	108,801	101,500	3,870	3,892	112,671	105,392
Other revenue						
Rent	88	102	33	34	121	136
Administration fees	1,318	1,093	-	-	1,318	1,093
Interest income	320	306	-	-	320	306
Sundry income	615	464	-	-	615	464
	2,341	1,965	33	34	2,374	1,999
Revenue from continuing operations	111,142	103,465	3,903	3,926	115,045	107,391
Profit on disposal of assets	4	148	3	50	7	198
Total segment revenue and other income	111,146	103,613	3,906	3,976	115,052	107,589
Segment expenses	(89,822)	(82,395)	(2,304)	(2,242)	(92,126)	(84,637)
Segment result	21,324	21,218	1,602	1,734	22,926	22,952
Unallocated finance costs					(5,495)	(6,100)
Profit before income tax					17,431	16,852
Income tax expense					(5,105)	(5,327)
Profit from ordinary activities after income tax expense					12,326	11,525
Profit attributable to minority interests					37	33
Profit attributable to members of InvoCare Limited					12,289	11,492

InvoCare Limited

Notes to the consolidated financial statements

30 June 2008

3 Dividends

	Half-year ended	
	2008 \$'000	2007 \$'000
Dividend paid during the half-year		
Final dividend in respect of the previous year of 12.5 cents (2007: 11.5 cents) per fully paid ordinary share, fully franked based on tax paid at 30%.	12,536	11,404
Dividends paid to minority interest of 5.3 cents (2007: Nil) per fully paid share fully franked based on tax paid at 30% (2007: Nil).	41	-
Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 10.5 cents per fully paid ordinary share (2007: 10.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 10 October 2008 (2007: 12 October 2007), but not recognised as a liability at the end of the half year, is	10,530	9,991
Franking credit balance		
The amount of franking credits available for subsequent financial years are:		
Franking account balance at the end of the reporting period	15,590	14,129
Franking credits that will arise from the payment of income tax payable at the end of the reporting period	2,716	4,064
Reduction in franking account resulting from the payment of the proposed interim dividend of 10.5 cents (2007: 10.0 cents)	(4,513)	(4,282)
	13,793	13,911

4 Movements in contributed equity

	2008 Shares	2007 Shares	2008 \$'000	2007 \$'000
Ordinary shares				
Issues of ordinary shares during the half-year				
Exercise of options issued under the InvoCare Limited Employee Share Option Plan	-	196,085	-	210
Dividend reinvestment plan issues	-	569,410	-	3,232
Transfer from share-based payment reserve	-	-	-	125
	-	765,495	-	3,567
Treasury shares				
Movement of treasury shares during the half-year				
Shares vesting during the half-year	6,700	-	41	-
Shares forfeited during the half-year	1,311	-	-	-
Acquisition of shares by the InvoCare Deferred Share Plan Trust	(7,822)	-	(35)	-
	189	-	6	-

InvoCare Limited

Notes to the consolidated financial statements

30 June 2008

5 Earnings per share

	2008 Shares	2007 Shares
The Weighted average number of ordinary shares used as a denominator in calculating:		
Basic earnings per share	100,160,766	99,396,698
Diluted earnings per share	100,287,325	99,491,659

6 Retained profits

The transition to AIFRS resulted in \$47,084,000 being charged against retained earnings of the consolidated entity at 1 January 2004. These adjustments primarily related to the recognition of deferred tax liabilities and impairment losses on cemetery and crematorium land and gave rise to consolidated net accumulated losses. There is a possibility the deferred tax liability may be reversed in a future reporting period if a change to AIFRS currently under consideration by the standard setting authorities is adopted.

The AIFRS transitional adjustments will not materially adversely impact or restrict the Group's current and future profitability, cash flows or dividend capability. Since making the transition to AIFRS, the Group has distributed all available previous AGAAP profits as dividends and continues to distribute dividends from AIFRS reported profits.

The following table shows the movements in the consolidated entity's retained earnings / (accumulated losses) since transition to AIFRS on 1 January 2004, set out in separate sub-account components relating to, firstly previously reported AGAAP retained earnings, secondly the AIFRS transitional adjustments to retained earnings and finally AIFRS determined profits. The amounts of retained earnings AIFRS transitional adjustments which have since reversed into profits amount to \$3,171,000. These are shown as transfers in the table below and comprise reversals of:

- non-current asset impairment losses of \$1,691,000 (net of tax);
- AASB 132 and AASB 139 financial instruments adjustments \$861,000 (net of tax); and
- temporary differences relating to the deferred tax liability established at transition to AIFRS \$2,341,000.

	Previously reported AGAAP earnings \$'000	Transitional AIFRS adjustments to retained earnings \$'000	Post AIFRS adoption reported earnings \$'000	Total \$'000
Balance of retained earnings/(accumulated losses) as at 1 January 2004	11,033	(47,084)	-	(36,051)
Profit after tax for the 2004 year	17,088	-	2,167	19,255
Dividends paid during 2004	(6,080)	-	-	(6,080)
Transitional AIFRS adjustment on 1 January 2005 relating to the adoption of AASB 132 and AASB 139	-	861	-	861
Profit after tax for the 2005 year	-	-	20,141	20,141
Dividends paid during 2005	(22,041)	-	(3,462)	(25,503)
Profit after tax for the 2006 year	-	-	24,047	24,047
Dividends paid during the 2006 year	-	-	(17,004)	(17,004)
Profit after tax for the 2007 year	-	-	27,554	27,554
Dividends paid during the 2007 year	-	-	(21,395)	(21,395)
Profit after tax for the 2008 half-year	-	-	12,289	12,289
Dividends paid during the 2008 half-year	-	-	(12,536)	(12,536)
Transfer between sub-accounts	-	3,171	(3,171)	-
Balance of retained earnings/(accumulated losses) as at 30 June 2008	-	(43,052)	28,630	(14,422)

InvoCare Limited

Notes to the consolidated financial statements

30 June 2008

7 Business combinations

Chippers Funerals

Chippers Funerals, acquired in December 2007 contributed \$0.5 million EBITDA from revenues of \$2.7 million in the first six months 2008. This achievement is slightly above the initial estimates made at the time of the acquisition. Purchase consideration payments relating to Chippers Funerals and the related transaction to acquire shares not already owned in Oakwood Funerals Pty limited amounted to \$2,420,000 in the half-year.

Singapore Casket Company

In March 2008 additional purchase consideration of \$932,000 was paid to the vendors on the achievement of the financial targets included in the purchase agreement. This amount represents the final payment due and was slightly less than estimated in December 2007 largely due to favourable exchange rate movements between the Australian and Singapore dollars.

Liberty Funerals

In February 2008 additional purchase consideration of \$700,000 was paid to the vendors on the achievement of the financial targets in the purchase agreement. No further consideration is payable.

Christian Funerals

Effective from 1 August 2008 InvoCare acquired the operations of Christian Funerals which operates from a single location in Perth, Western Australia. The initial purchase price was \$1.375 million, excluding incidental costs. Additionally, three annual payments up to an aggregate maximum of \$0.575 million are anticipated if performance hurdles are achieved.

Details of net assets acquired and goodwill are as follows:

	\$'000
Purchase consideration	
Anticipated total consideration	1,950
Direct costs relating to the acquisition	90
Total purchase consideration	2,040
Fair value of net identifiable assets acquired (refer below)	369
Goodwill and other intangible assets	1,671
Christian Funerals purchase consideration	
Outflow of cash to acquire the business, net of cash acquired	
Cash consideration	1,365
Outflow of cash	1,365

The purchase price of the business of Christian Funerals was determined using expected future maintainable earnings. This has resulted in the recognition of goodwill which relates to synergies expected to be achieved as a result of combining Christian Funerals with the rest of the group. Based on financial statements prepared by the former owners, annual sales revenue and EBITDA are estimated at \$2.3 million and \$0.34 million respectively.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair Value \$'000
Inventories	5	5
Property, plant and equipment	193	193
Intangible assets: brand name	-	259
Provision for employee liabilities	(15)	(15)
Future income tax liabilities	-	(73)
Net identifiable assets acquired	183	369

InvoCare Limited

Notes to the consolidated financial statements

30 June 2008

7 Business combinations continued

Christian Funerals continued

The initial accounting for the business combination has been determined provisionally as at the acquisition date. The fair values assigned to the identifiable assets, liabilities or contingent liabilities may require adjustment as at acquisition date. Under AASB 3 *Business Combinations* any adjustments to those provisional values as a result of completing the initial accounting may be recognised within 12 months of the acquisition

8 Contingencies

	30 June 2008 \$'000	31 December 2007 \$'000
The parent entity and consolidated entity had contingent liabilities at 30 June 2008 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	427	398

9 Events occurring after balance date

Other than the acquisition of Christian Funerals noted above there have been no significant events or transactions that have arisen since the end of the financial period, which in the opinion of the directors, would affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

InvoCare Limited

Directors' declaration

30 June 2008

In the directors' opinion:

- (a) the financial statements and notes set out on pages 3 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporation Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that InvoCare Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Ian Ferrier
Director

Sydney
21 August 2008



Richard Davis
Director

Independent Auditor's Review Report to the members of InvoCare Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of InvoCare Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the InvoCare Limited Group (the consolidated entity). The consolidated entity comprises both InvoCare Limited (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of InvoCare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of InvoCare Limited (the Company) for the half-year ended 30 June 2008 included on InvoCare Limited's web site. The company's directors are responsible for the integrity of the InvoCare Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of InvoCare Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.



PricewaterhouseCoopers



JW Feely
Partner

Sydney
21 August 2008